

Source Documentation



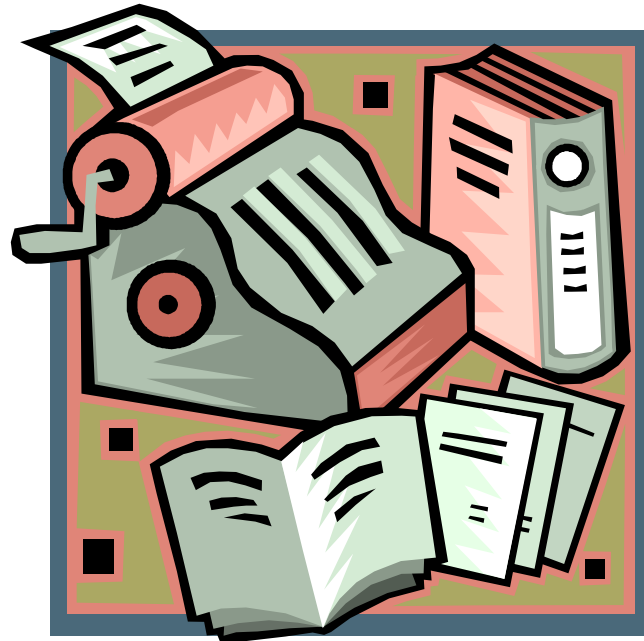
Constitution of
The United States

A Regular Statement of Account of the Receipts and Expenditures of all public Money shall be published from time to time.

Article I, Section 9

What is Source Documentation?

Evidence management will use to support assertions presented in the financial statements.



What is Required?

- Audits determine if balances and related notes presented in the financial statements fairly represent the operations of the entity.
(Statement of Auditing Standards 31, Evidential Matter.)
- Assertions are representations by management that are embodied in financial statement components. They can be explicit or implicit and are classified in five categories.



Management Assertions

- Organization has sufficient audit-ready evidence to support financial statement balances as to
 - Existence and Occurrence
 - Completeness
 - Valuation or Allocation
 - Rights and Obligations
 - Presentation and Disclosure



Existence or occurrence

- Recorded transactions, underlying events, and related processing procedures are authorized by federal laws, regulations, and management policy.
- Assets and liabilities exist at a given date and transactions have occurred during a given period.
 - Recorded assets of the entity at a given date are supported by appropriate detailed records.
 - Records are accurately summarized and reconciled to the account balance.

Completeness

- All valid transactions are recorded and properly classified.
- All economic events that occurred in the current period are recorded in the current period.
- All accounts that belong in the financial statements are included. There are no undisclosed assets or liabilities.



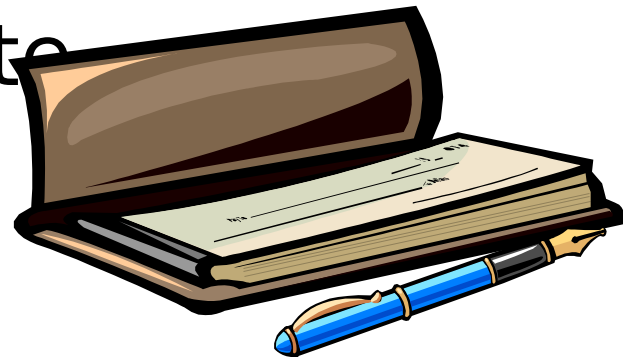
Valuation or Allocation

- All transactions are recorded at the appropriate amounts.
- Assets and liabilities included in the financial statements are valued on an appropriate valuation basis.
- Revenue and expenses included in the financial statements are properly measured.



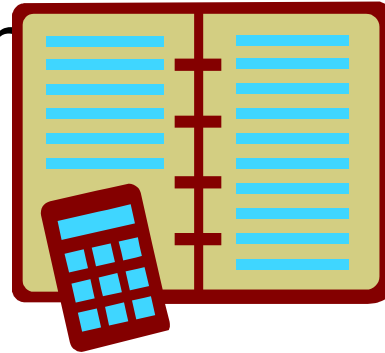
Rights and Obligations

- Recorded assets are owned by the entity as evidenced by legal title or similar signs of ownership.
- Assets are the rights of the entity at a given date.
- Liabilities are the obligations of the entity at a given date.



Presentation and Disclosure

- Accounts are properly classified and described in the financial statements.
- The financial statement components are based on accounting principles that are applied consistently from period to period.
- The financial statements or footnotes contain all information to be disclosed.



Evidential Matter

- Evidential Matter requires that sufficient competent evidence be obtained through inspection, observation, inquiries, and confirmations to afford reasonable basis for an opinion regarding the financial statements being audited.
 - Evidence from independent sources provides more assurance than evidence secured solely from within the entity.

Evidential Matter (cont.)

- The more effective the internal control, the more assurance it provides about the reliability of the accounting data and financial statements.
- The auditor has to rely on evidence that is persuasive rather than convincing.



Characteristics of Evidence

- GAS 7.52 requires that the documentation be sufficient, competent and relevant
 - Sufficient – Enough documentation to support the client's assertion
 - Competent – Evidence is consistent with facts presented in the financial statements
 - Relevant – Logical relationship between evidence and financial statements



Evidential Documentation

Evidence	Existence & Occurrence	Rights & Obligations	Valuation	Completeness	Presentation & Disclosure
PHYSICAL					
Direct Inspection & Observation	X	X	X	X	
TESTIMONIAL					
Inquiries, Interviews, & Questionnaires	X	X	X	X	X
DOCUMENTARY (Samples)					
Relevant Laws & Agency Regulations	X	X	X		X
Documents of Public Record	X	X	X		X
Contracts, Agreements, Deeds, & Leases	X	X	X	X	
Certified Appraisals	X		X		X
Transfer & Shipping Reports	X	X	X	X	
Inventory Reports	X	X	X	X	X
Purchase Orders, Receiving Reports, Invoices	X	X	X	X	
Payment Vouchers, Checks or EFT #	X	X	X	X	
Maintenance Records	X		X		
System Reports & Client Prepared Schedules	X		X	X	

Availability of Evidence

- Record Retention
 - Guidance
 - NARA requirements
 - DoD Financial Management Regulation
 - Other Specific Guidance (i.e., SFFAS No. 6 for PP&E)
 - Assets and Liabilities acquired or incurred after a specified date
 - original documents and/or
 - hard and electronic copies of original documents

Availability of Evidence (con't)

- Access to Client Prepared Documentation
 - Readily available
 - Provide access to consultants' work
- Absent Original Documentation
 - Underlying Accounting Data
 - Corroborating Information
 - Baselining Methodologies
 - Financial Community
 - Audit Community

Benefit to the Client

- Prepares evidence of whether the financial records are presented in accordance with generally accepted accounting principles
- Saves Time
- Saves Money
- Increases accountability
- Ultimately – Unqualified Opinion

